



# MARINE RESOURCES COMMISSION

## INTERNAL CONTROL QUESTIONNAIRE

### REVIEW RESULTS

AS OF MAY 2019

Auditor of Public Accounts

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# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

July 3, 2019

Steven Bowman  
Marine Resources Commission  
380 Fenwick Road, Bldg. 96  
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## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on May 2, 2019, for the **Marine Resources Commission** (the Commission). The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of the Commission is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a new process for auditing agencies that are not required to have an audit every year, which we refer to as "cycled agencies." Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. Our intent is that all cycled agencies will complete an internal control questionnaire at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

### Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The “Review Procedures” section below details the procedures performed for the Commission. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

### **Review Procedures**

Due to the implementation of the new statewide accounting system, we reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. The level of ARMICS review performed was based on judgment and the risk assessment at each agency. At some agencies only inquiry was necessary; while others included an in-depth analysis of the quality of the Stage 1 Agency-Level Internal Control Assessment Guide, or Stage 2 Process or Transaction-Level Control Assessment ARMICS processes. For the Commission, we reviewed all ARMICS documentation for fiscal year 2018. Further, we evaluated the agency’s process of completing and submitting attachments to Accounts.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll and human resources, revenues, expenses, and grants management. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are appropriately designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management’s risk assessment process.

As a result of these procedures, we noted areas that require management’s attention. These areas are detailed in the “Review Results” section below.

### **Review Results**

We noted the following areas requiring management’s attention resulting from our review:

- The Commission has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several business areas where policies and procedures need to be expanded in order to maintain an effective control environment. We also noted that several key positions have a risk of turnover in the near

future, which further emphasizes the need for having detailed and up to date policies and procedures. Management should ensure detailed policies and procedures exist for all critical business areas. In addition, management should review and approve all policies and procedures either annually or as needed, and maintain documentation of the review and approval process.

- The Commission maintains a Memorandum of Understanding with the Department of Game and Inland Fisheries (Fisheries), but has not updated the terms of this Memorandum, specifically related to the flat rate fee paid to Fisheries by the Commission, since the Memorandum's specified period ended in 2017. Management should ensure this document remains updated and reflects all agreed-upon terms in detail.
- The Commission does not adhere to the Executive Leave Policy set forth by the Department of Human Resource Management regarding the tracking of leave for "At-Will" employees. The Human Resources department only receives a leave certification letter. Section III, Certification of Use, of the Executive Leave Policy states that at-will employees should maintain a leave calendar that is attached to the certification letter that is to be retained by Human Resources. Management should implement a policy to ensure the Commission is complying with the Executive Leave Policy.

We discussed these matters with management on June 12, 2019. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Auditor of Public Accounts

JDE/vks



# COMMONWEALTH of VIRGINIA

## Marine Resources Commission

Building 96  
380 Fenwick Road  
Fort Monroe, VA 23651

Matthew J. Strickler  
Secretary of Natural Resources

Steven G. Bowman  
Commissioner

July 12, 2019

Martha S. Mavredes, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

During the recent Internal Control Questionnaire Review of the Marine Resources Commission, a review of the agency's processes was conducted as an evaluation of the agency's internal controls. The review results indicated that the agency maintains formal, documented policies and procedures over many of its significant business processes but that there are some areas of control where policies and procedures need to be expanded or strengthened.

The agency is diligent in the financial, administrative and human resources processes and procedures and strives to maintain the highest of standards in the adherence to the mandated policies and procedures of the Commonwealth of Virginia in accordance with the Commonwealth Accounting Policies and Procedures (CAAP) Manual. In addition, the agency annually reviews and updates the Agency Risk Management and Internal Control Standards (ARMICS) and, as part of that process, the agency's documented policies and procedures are reviewed and updated. Based on the recommendations that were highlighted in the review results, the agency has strengthened the areas of policies and procedures indicated as in need of review and these updates have been incorporated into business processes and will be included in the ARMICS documentation.

It was recommended that the current Memorandum of Understanding (MOU) between the Department of Game and Inland Fisheries and Marine Resources Commission, concerning the sale of recreational fishing licenses, be reviewed and updated. The two agencies are in the process of a formal review of the current terms. An updated MOU will be in place once this has been completed and signed by both agencies.

Section III, Certification of Use, of the Executive Leave policy states that at-will employees should maintain a leave calendar that is attached to the certification letter that is to be retained by Human Resources. A procedure has now been created that clarifies that a leave calendar is to be attached to the certification letter.

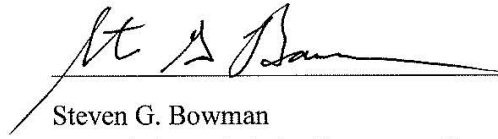
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The agency appreciates the opportunity that the review afforded us to strengthen our internal control documentation to maintain the highest standards of internal control in the agency.

Sincerely,

A handwritten signature in black ink, appearing to read "St G Bowman", is written over a horizontal line.

Steven G. Bowman  
Commissioner, Marine Resources Commission